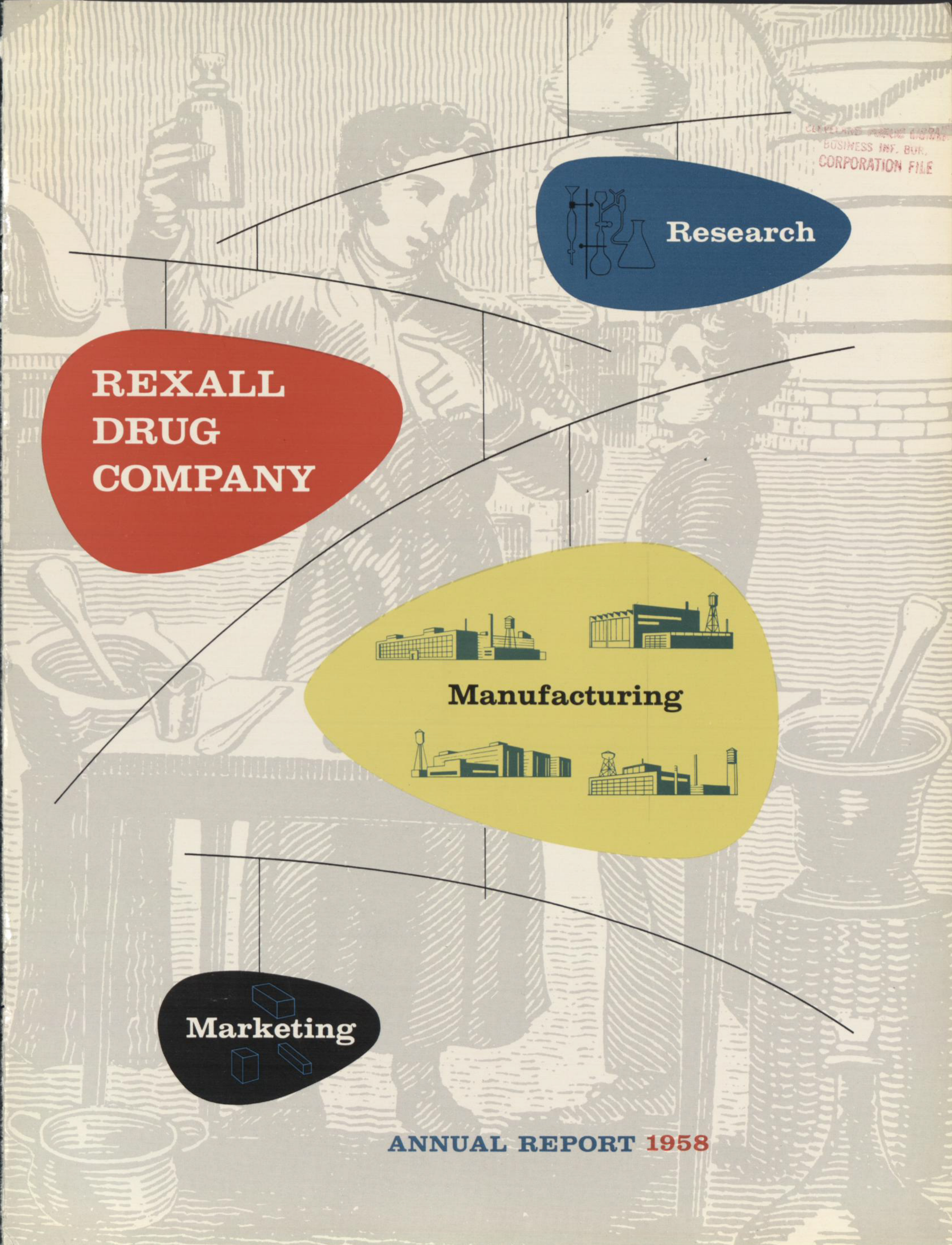

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CORPORATION FILE

Research

REXALL DRUG COMPANY

Manufacturing

Marketing

ANNUAL REPORT 1958

Board of Directors

CHESTER W. ANDERSON	Los Angeles, California
EARL E. ANDERSON	Montclair, New Jersey
HIRAM C. BENDER	Los Angeles, California
JOHN BOWLES	Los Angeles, California
JOHN C. CORNELIUS	Minneapolis, Minnesota
JUSTIN W. DART	Los Angeles, California
PAUL A. DRAPER	Boston, Massachusetts
RUDOLPH J. DREWS	Los Angeles, California
ROLAND F. HALLETT	Los Angeles, California
F. THATCHER LANE	Litchfield, Connecticut
WALTER T. LILLIE	Los Angeles, California
GEORGE L. MAISON, M.D.	Northridge, California
ADÉ SCHUMACHER	Cos Cob, Connecticut
JAMES E. SHELTON	Los Angeles, California
VERNON F. TAYLOR	San Antonio, Texas
EARL S. TUPPER	Smithfield, Rhode Island
HOLMES TUTTLE	Los Angeles, California

Executive Committee

JUSTIN W. DART, Chairman	Los Angeles, California
EARL E. ANDERSON	Montclair, New Jersey
VERNON F. TAYLOR	San Antonio, Texas

Audit Committee

EARL E. ANDERSON, Chairman	Montclair, New Jersey
PAUL A. DRAPER	Boston, Massachusetts
VERNON F. TAYLOR	San Antonio, Texas

Officers

JUSTIN W. DART	President
CHESTER W. ANDERSON	Vice-President
RUDOLPH J. DREWS	Vice-President—Staff Administration
ROLAND F. HALLETT	Vice-President and General Counsel
ROBERT L. KING	Vice-President—Industrial Relations
WALTER T. LILLIE	Vice-President and Treasurer
BERT K. HENRY	Controller
HAROLD E. PRICE	Secretary

Transfer Agents

Guaranty Trust Company of New York, New York—Second Bank-State Street Trust Company, Boston—Bank of America National Trust & Savings Association, Los Angeles.

Registrars

The Chase Manhattan Bank, New York—The National Shawmut Bank of Boston, Boston—California Bank, Los Angeles.

Independent Auditors

Price Waterhouse & Co.

World Headquarters

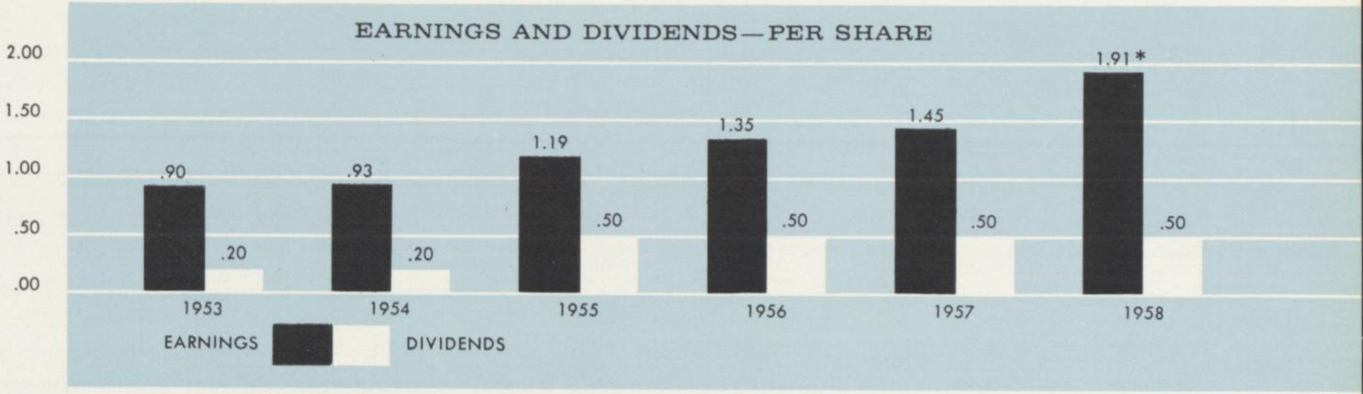
Rexall Square, 8480 Beverly Blvd., Los Angeles 54, California.

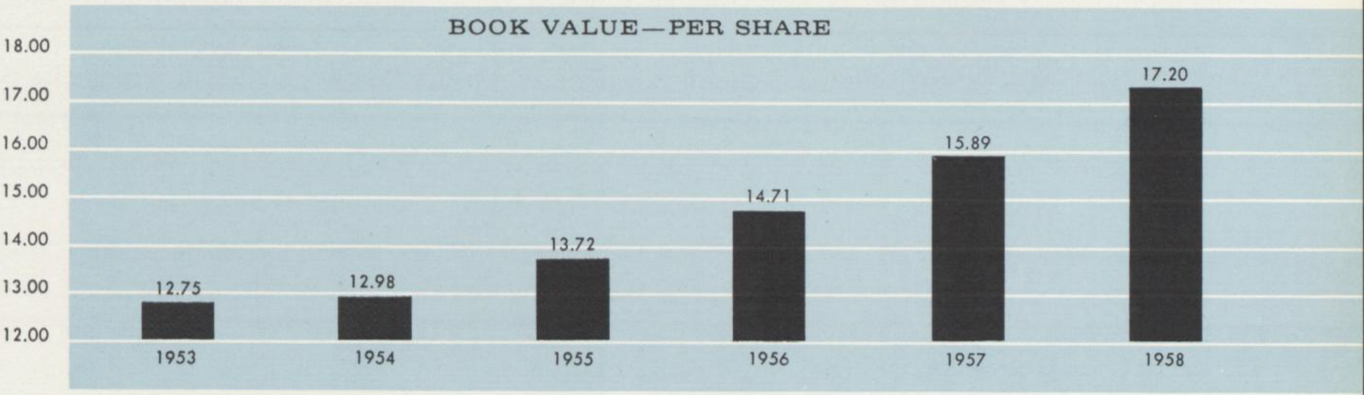
FINANCIAL SUMMARY

Summary of Income and Expenses

	1958	1957
Net Sales—income received from customers for products sold	$182,371,453	$167,567,195
Operating Expenses		
Purchases of materials, products and supplies and expenses of manufacturing, distribution and administration	122,309,733	113,764,198
Wages and salaries of employees	41,592,862	38,821,812
Interest on borrowed money	1,358,765	935,621
Wear and tear on plant and machinery	2,436,890	2,048,967
Taxes—Federal, state and local	8,368,043	7,382,762
	176,066,293	162,953,360
Net Earnings	$ 6,305,160	$ 4,613,835
Per Share		
Net earnings	$ 1.91*	$ 1.45
Dividends paid	0.50	0.50
Stockholders' equity at end of year	17.20	15.89

**Net earnings per share amounts for 1958 above and in charts below are based upon the average of shares outstanding during the year; for prior years they are based upon the number of shares outstanding at the end of each year.*


EARNINGS AND DIVIDENDS—PER SHARE


BOOK VALUE—PER SHARE

Justin W. Dart, President of Rexall and corporate staff: (left to right) William H. Madden, Jr., Director of Business Development; Robert L. King, Vice President-Industrial Relations; Roland F. Hallett, Vice President and General Counsel; Rudolph J. Drews, Vice President, Staff Administration; Justin W. Dart, Walter T. Lillie, Vice President and Treasurer; Bert K. Henry, Controller; Fred W. Johnson, Director of Public Relations and Public Services.

THE PRESIDENT'S LETTER

To the Stockholders of Rexall Drug Company

It is my privilege to present to you the Annual Report of your Company for 1958:

Sales—Net sales for 1958 amounted to $182,371,453. This was a gain of $14,804,258, or 8.8 per cent over the $167,567,195 of 1957.

Earnings—Rexall Drug Company and its consolidated subsidiaries showed net earnings of $6,305,160 for 1958, as compared with $4,613,835 the previous year. The gain of $1,691,325 was at the rate of 36.6 per cent. The per share equivalents were $1.91 per share for 1958 on 3,299,418 shares, the average number outstanding during the year, as against $1.45 per share on the 3,181,673 shares outstanding at the end of 1957. On December 31, 1958, there were 3,454,449 shares outstanding.

Taxes—Earnings before taxes totaled $11,605,160 in 1958 as against $9,213,835 the year before. Provision for Federal and Canadian taxes on 1958 income was $5,300,000 as compared with a provision of $4,600,000 for 1957.

Financial—Consolidated balance sheet as of December 31, 1958, showed current assets totaling $83,927,488 of which $20,002,865 was in cash and short term securities. Current liabilities were $29,171,941 leaving net working capital of $54,755,547, an increase of $4,657,940 during the year.

Long term indebtedness increased $6,806,877 during 1958 to a total of $31,160,939. A new $5,000,000 4½% five-year bank loan was made in connection with the acquisition of the Tupper companies. From the insurance loan negotiated in 1957, we received the remainder of $1,615,000.

Dividends—During the year we continued our regular quarterly cash dividends totaling 50 cents per share. In October, 1958, your Board of Directors voted an additional dividend of 3% in stock, payable March 6, 1959, to stockholders of record on February 6, 1959. We expect the profit trend in 1959 will permit another stock dividend in addition to the usual cash dividend. We plan to continue annual supplementary stock dividends as long as growth and profits warrant such action.

Acquisitions—The purchase of Tupper Corporation and Tupperware Home Parties, Inc., as of September 1, 1958, was a major addition to our Chemo-Plastics Division. A description of these companies and their operations is given on Pages 12 and 13 of this Annual Report. Sales and earnings for these two companies have been included in the consolidated financial statements only for the period from September 1, 1958, to December 31, 1958.

Negotiations for the acquisition of Chippewa Plastics, Inc., located at Chippewa Falls, Wisconsin, were completed in February, 1959. A special meeting of the stockholders of Chippewa Plastics, Inc. has been called to approve the transaction. Chippewa is a producer of polyethylene film. This film is used for wrappings, bags, agricultural cover, and many other applications.

Carnegies of England, a manufacturer of pharmaceutical chemicals, was purchased in January, 1959. This broadens the base of technical competence of our growing and profitable Riker Laboratories operating in Loughborough, England. Carnegies will provide the vehicle for strengthening our research establishment outside of the United States.

Sales of Subsidiary Properties—We are expanding our activities principally in ethical drugs, fine chemicals, petrochemicals and plastics. To more fully concentrate in these fields, we completed negotiations for the sale of Eastern Tablet Company, Albany, New York, in February, 1959. We also sold V. C. A. Laboratories, Los Angeles, California. Both sales were favorable to your Company and were for amounts in excess of our net investments. We will continue to manufacture Rybutol for V. C. A. in our St. Louis Plant.

Addition to Our Corporate Name—In the proxy statement for the Annual Meeting you will find a recommendation to add to our name the words—"and Chemical"—making the new name Rexall Drug and Chemical Company. In 1958 your Company substantially expanded its operations in the chemical field. Our Chemo-Plastics Division now is an important factor in overall earnings and represents a significant portion of our invested capital. It is anticipated that a major portion of our future growth will be in petrochemicals and allied chemical fields. Therefore, this addition to the corporate name more accurately points up the direction in which your Company is growing.

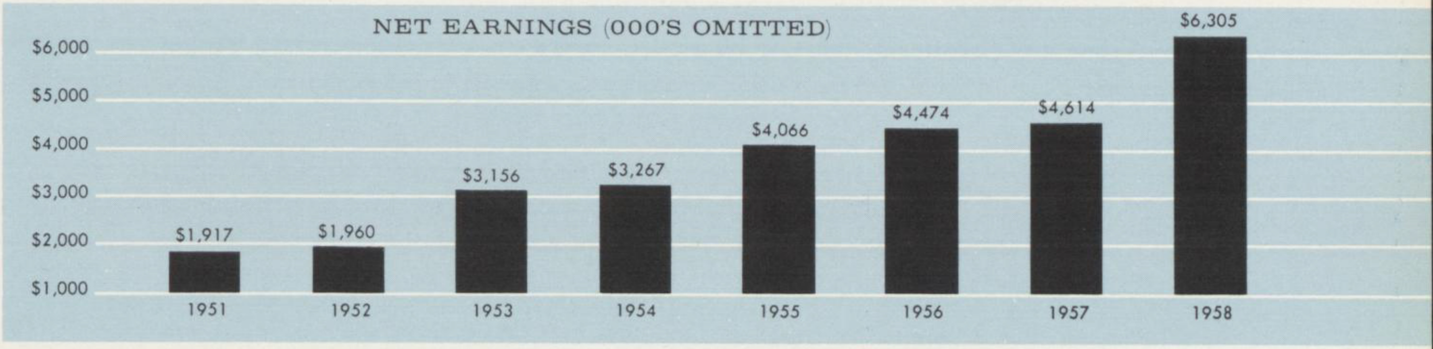
Outlook—The year 1958 was the seventh consecutive year of increasing earnings. Based upon current forecasts we anticipate a further substantial increase in both sales and earnings in 1959.

The Annual Meeting of the Stockholders will be held in Los Angeles, California, on April 21, 1959. If you are unable to attend, we urge you to exercise your voting rights and mail in your proxy as soon as convenient.

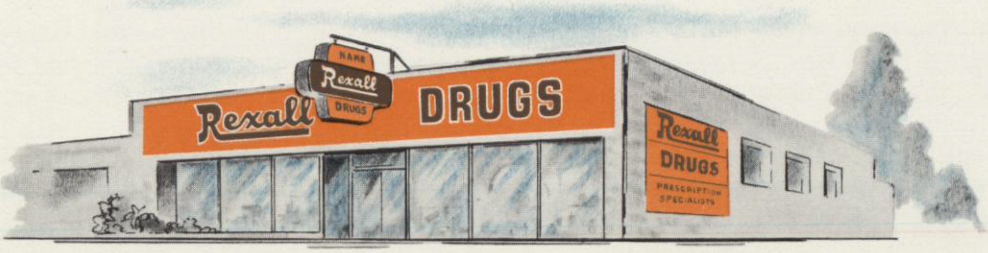
Respectfully submitted,

Justin Dart

PRESIDENT



PROPRIETARY DIVISION



REXALL DIVISION

Los Angeles, California

The familiar Rexall Orange and Blue identification is now displayed by more independent druggists than at any time in our history. In 1958 the Rexall Division intensified its franchise program. Special franchise campaigns were centered in six major cities. In 1959 this will continue in seven carefully selected areas.

Rexall druggists are benefiting from this identification. All surveys point to Rexall as the best known name in drugs. This franchise makes the Rexall druggist the exclusive sales agency for the products bearing the famous Rexall trademark. Included are pharmaceuticals, proprietary drugs, cosmetics, surgical and sickroom supplies and other items manufactured by Rexall in its own plants.

In addition the Rexall druggist is offered a wide range of sundry and household items. This gives him the advantage of volume buying by the Rexall Division. It gives him the backing of Rexall National Advertising.

Total sales for the Rexall Division, through 10,000 Rexall drug stores in the United States, reached a new high in 1958. Great emphasis was placed on special Rexall merchandise. "Super Plenamins", a multi-vitamin, "Thru", a penetrating analgesic, "Bisma-Rex", an antacid, and "Super Anapac", a cough and cold product, were featured in displays and promotions.

This shift to product promotion is another strong incentive for the independent druggist to secure a Rexall Franchise. He has the exclusive right to sell Rexall Products. It enables him to compete successfully with the growing distribution of drug products in super markets, variety stores, etc. The steady growth in acceptance of these advantages indicates that 1959 will again show a substantial increase.

New Product Development

The Rexall position of leadership requires constant concentration on new product development. Laboratory research, infinite product testing and consumer-conscious packaging design were accelerated in 1958.

Many new products were introduced. Some were the result of totally new ideas. Others were a new application of an existing item. Often they were additions of exclusive new ingredients to already proven products.

These approaches to new products are illustrated by the following 1958 additions to the Rexall Line.

REXALL
SUPER
PLENAMINS
JUNIOR
LIQUID VITAMINS
TASTES GOOD, TOO!

The Super Plenamins family of vitamin products has been expanded to include a liquid form for children.

REXALL
BISMA-
REX SELTZER
RELIEVES HEADACHE
ACID-UPSET STOMACH

Bisma-Rex Seltzer with exclusive bismuth aluminate has joined the popular line of Bisma-Rex antacid products.

Rexall
Super
Anapac
WITH NEW
NASAL DECONGESTANT
FASTER COLD RELIEF

Super Anapac's recognized leadership among cold remedies now offers its relief giving formula with a nasal decongestant added.

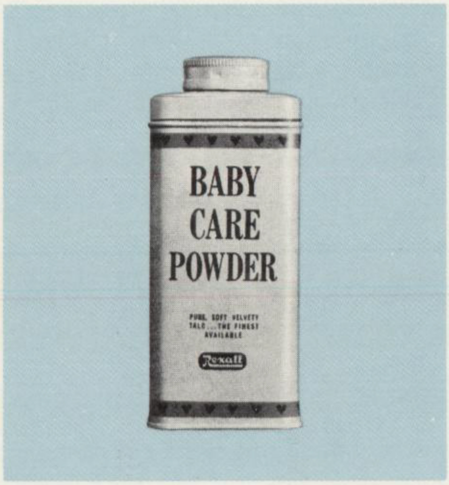
on tap
RADIANCE
Perfumed
HAND
LOTION

Public acceptance of aerosols has been an industry phenomenon. Rexall is marketing a new "*On Tap*" line of low-pressure aerosol toiletries. It includes shampoo, hand lotion and facial cleanser.

The modern design of Rexall packaging is contributing to the steady increase in the sale of Rexall products. Additional personnel has been added to work on the styling, color concepts and containers. Again this year Rexall products received national awards for their attractive styling.

REXALL
SUPER
PLENAMINS
MULTI-VITAMINS
WITH MINERALS

Rexall Super Plenamins is America's largest selling multi-vitamin. A new economy size in a redesigned carton provides instant identification.

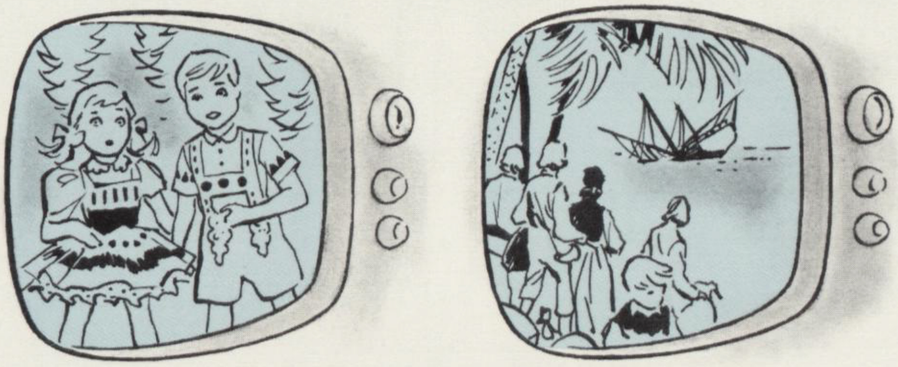


This styling is reflected in Rexall's new Baby Care line. Rexall Baby Powder and other baby products have always received the highest quality ratings. They carry the Parents Magazine Seal of Commendation. The package styling is attracting the eye of the buying public.

National Advertising

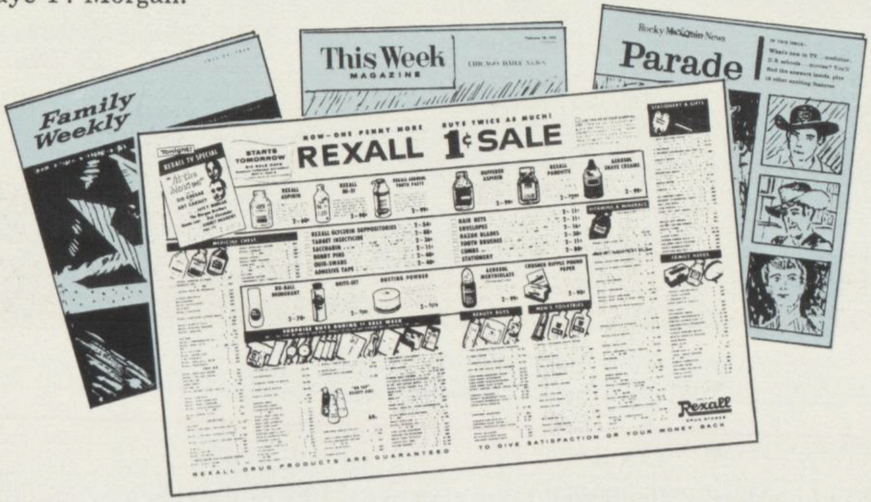
Advertising by the Rexall Division grew in effectiveness in 1958. Building on the experience of the Fall One Cent Sale of the previous year, network television and advertising in the magazine section of the Sunday newspapers were concentrated the same day. This achieved the greatest possible impact in the homes of America.

The Sunday newspaper ads urged the readers to watch the Rexall TV Spectacular later in the day. The telecast commercials referred the viewer to the Rexall Ad in the Sunday newspaper. In the newspaper ad was a complete list of items featured on the Rexall Sale.



These spectaculars promoted the 1958 One Cent Sales, "Hansel & Gretel" for the Spring Sale... "Swiss Family Robinson" for the Fall Sale. Both contributed greatly to the success of these two events. This new principle will be expanded in Rexall advertising in 1959.

The telecasts selected have a wide appeal to the family audience. Already scheduled for 1959 have been Agatha Christie's "Ten Little Indians" in January and "Frances Langford Presents", a color spectacular, in March. The presentation in May will star Sid Caesar, Art Carney, Audrey Meadows and Jaye P. Morgan.

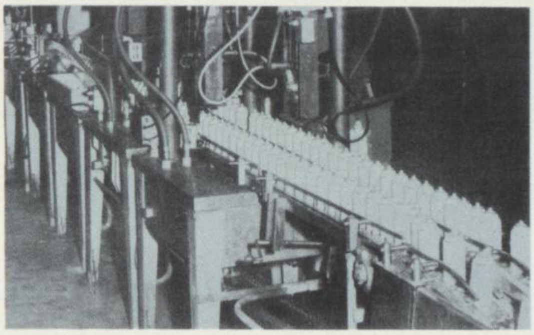

Family Weekly
This Week Magazine
Rocky Mountain News
Parade
NOW—ONE PENNY MORE BUYS TWICE AS MUCH!
REXALL 1¢ SALE
Rexall
TO GIVE SATISFACTION OR YOUR MONEY BACK
REXALL DRUG PRODUCTS ARE GUARANTEED

Rexall is adding the fast growing "Family Weekly" to its list of Sunday newspaper magazines carrying Rexall advertising. The 175 newspapers distributing this publication complement the circulation of those carrying "This Week Magazine" and "Parade." Rexall print advertising is now carried in 348 Sunday newspapers with a total circulation of thirty-five million.

Manufacturing and Distribution

The Rexall manufacturing plant in St. Louis produces all of the Rexall drugs, cosmetics and toiletries. Uniformity and high quality of production are constantly maintained. Rexall products are unsurpassed for purity.

Production facilities include aerosol packaging, tablet manufacturing and the processing of liquid pharmaceuticals and proprietary items. This plant produced over five billion tablets during 1958.

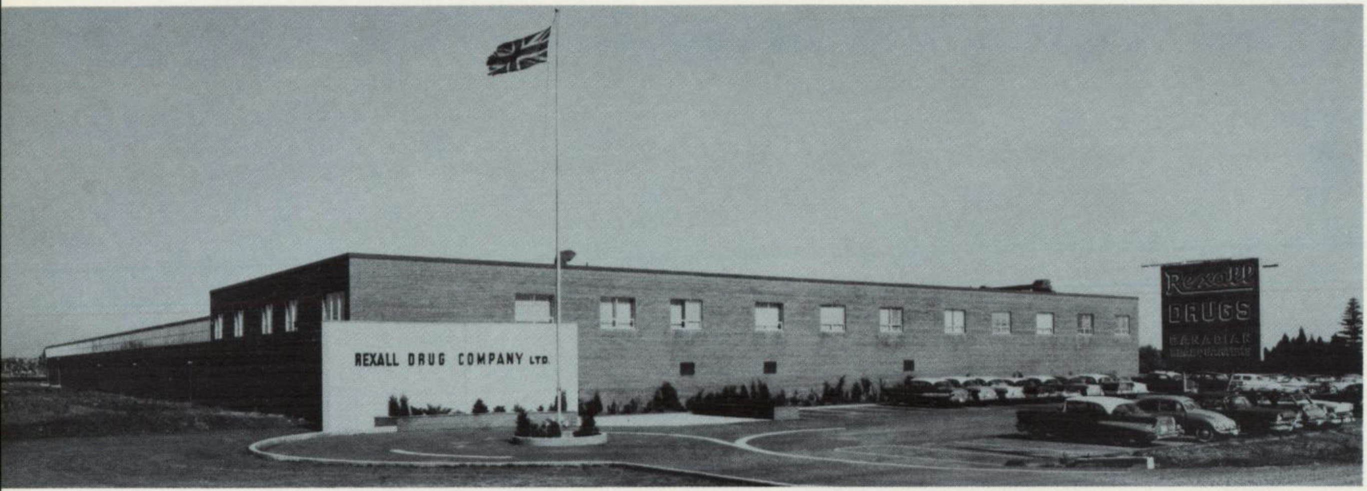


Aerosol Packaging at Rexall St. Louis Factory

From St. Louis, Rexall products are sent to ten modern Rexall warehouses and distribution centers. There, the finest drug products in the world are quickly forwarded to Rexall druggists throughout the United States.

Tested Products Company

Utilizing facilities of the St. Louis plant, Tested Products manufactures merchandise under private label for other companies. Volume increased during 1958. Howard Neill, former president of Eastern Tablet Company, has become president of this company.



Rexall Drug Company, Ltd., Cooksville, Ontario, Canada

Foreign Operations

New headquarters of the Rexall Drug Company, Ltd. of Canada was officially opened in October, 1958. It is located in Cooksville, Ontario, a suburb of Toronto. The modern building provides facilities for research, manufacturing, warehousing and general and administrative offices. The 20-acre site affords substantial ground for future expansion.

This is a symbol of nearly fifty years of growth and development. The headquarters serves some 1,500 Canadian Rexall druggists. With warehouses in Winnipeg, Manitoba, and Vancouver, B.C., Rexall products are readily distributed to Rexall druggists throughout the provinces.

The continued growth of Canadian operations is indicated by the consistent rise in Canada's population and in its per capita disposable income.

In addition to Canada, Rexall has subsidiaries in England and South Africa. Though these companies are relatively small, they have long term potentials for growth in both sales and profits.

Rexall Realty Corporation

This cooperative program was started in 1956. It enables independent druggists to operate new shopping center drug stores. Rexall Realty secures advantageous leases in newly developed suburban shopping centers. It provides a major portion of the financing necessary to open these stores. The independent druggist, operating as a partner, gives each store personal management. Arrangements provide for the druggist to become sole owner within a few years. This establishes an independent Rexall druggist in a most desirable location.

At the end of 1958, there were 27 stores in this program. Progress has been steady. A basic pattern has now been developed for aggressive expansion. Plans for 1959 indicate many additional stores.

Sam Prusky, President of V.C.A. at the time of its sale, will head this expanded Rexall Realty operation.

ETHICAL DRUG AND CHEMICAL DIVISION

Riker Laboratories, Inc., Northridge, California

RIKER LABORATORIES, INC.

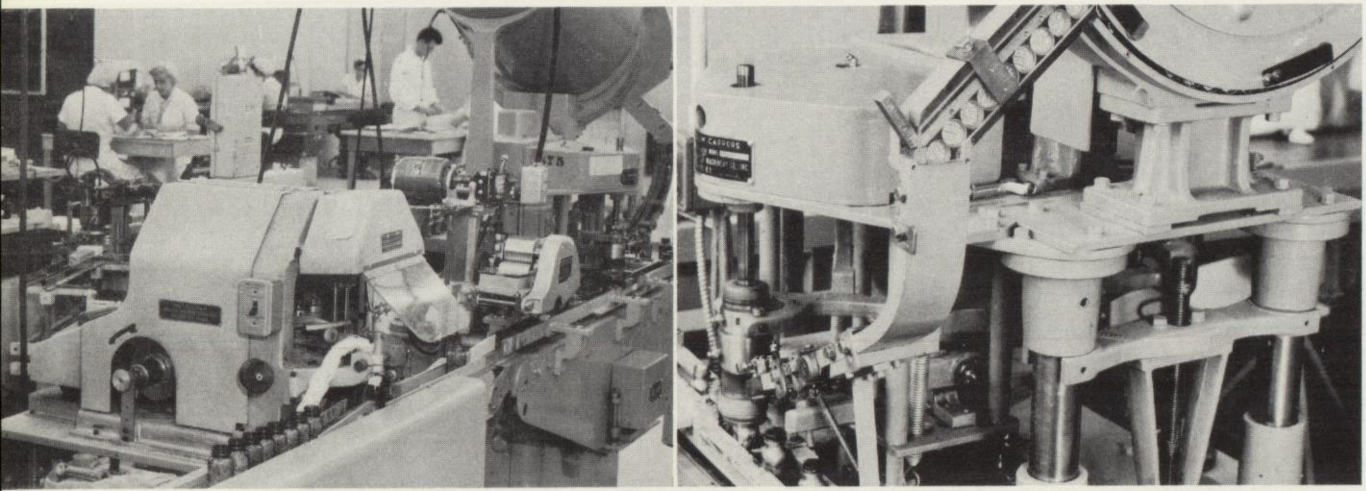
Northridge, California

Sales of Riker brand prescription pharmaceuticals have increased steadily over the past five years. In 1958 sales exceeded those for any previous year. Riker companies in England, Canada, Australia and South Africa recorded comparable gains.

Riker operations have resulted in a substantial contribution to the overall profits of Rexall.

Plans for Riker expansion and development pointed up the need for closer coordination of research, production and administration. Early in 1958 ground was broken for the Riker Headquarters in Northridge, California. In October the employees, equipment and materials, formerly at three locations in Los Angeles, were housed in their new home.

Riker Ground-Breaking Ceremony: (left to right) Dr. J. W. Stutzman, Vice President, Research and Development; Seymour H. Mann, Vice President, Manufacturing; Dr. George L. Maison, President of Riker; Justin W. Dart, President of Rexall; and Alfred H. Ridges, Vice President, Sales and Promotion.



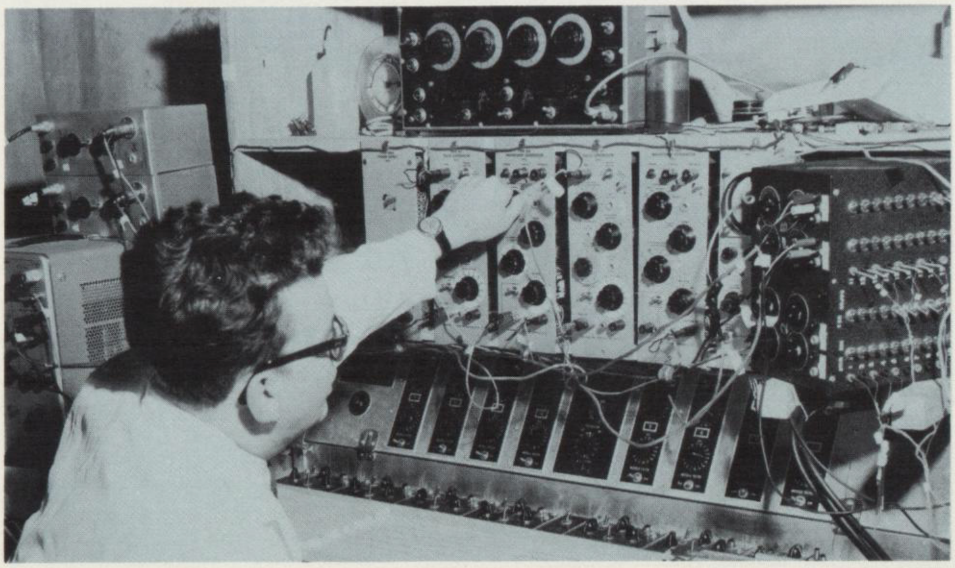
Manufacturing facilities, new Riker plant.

The main headquarters buildings include research laboratories, manufacturing facilities, general and administrative offices. There are separate specially designed buildings for chemical processing, warehousing and a self-contained power plant. These facilities are adaptable for future expansion at minimum costs. The modern design will reduce maintenance costs far below average.

RIKER
DEANER
25 mg
RIKER LABORATORIES INC

Newest of the ethical drugs manufactured by Riker is Deaner. It is a non-toxic antidepressant drug, the result of four years of research and testing. Before marketing in May, 1958, it had undergone clinical trials with over 3,000 patients. Together with previous products of Riker research, including Medihaler-Iso, Medihaler-Epi, Medihaler-Phen, Veriloid and Rauwiloid, it is now available on prescription in many countries throughout the world.

Research activities in specialized fields will again be expanded in 1959, in accordance with Rexall's policy of emphasis on growth for all its divisions.



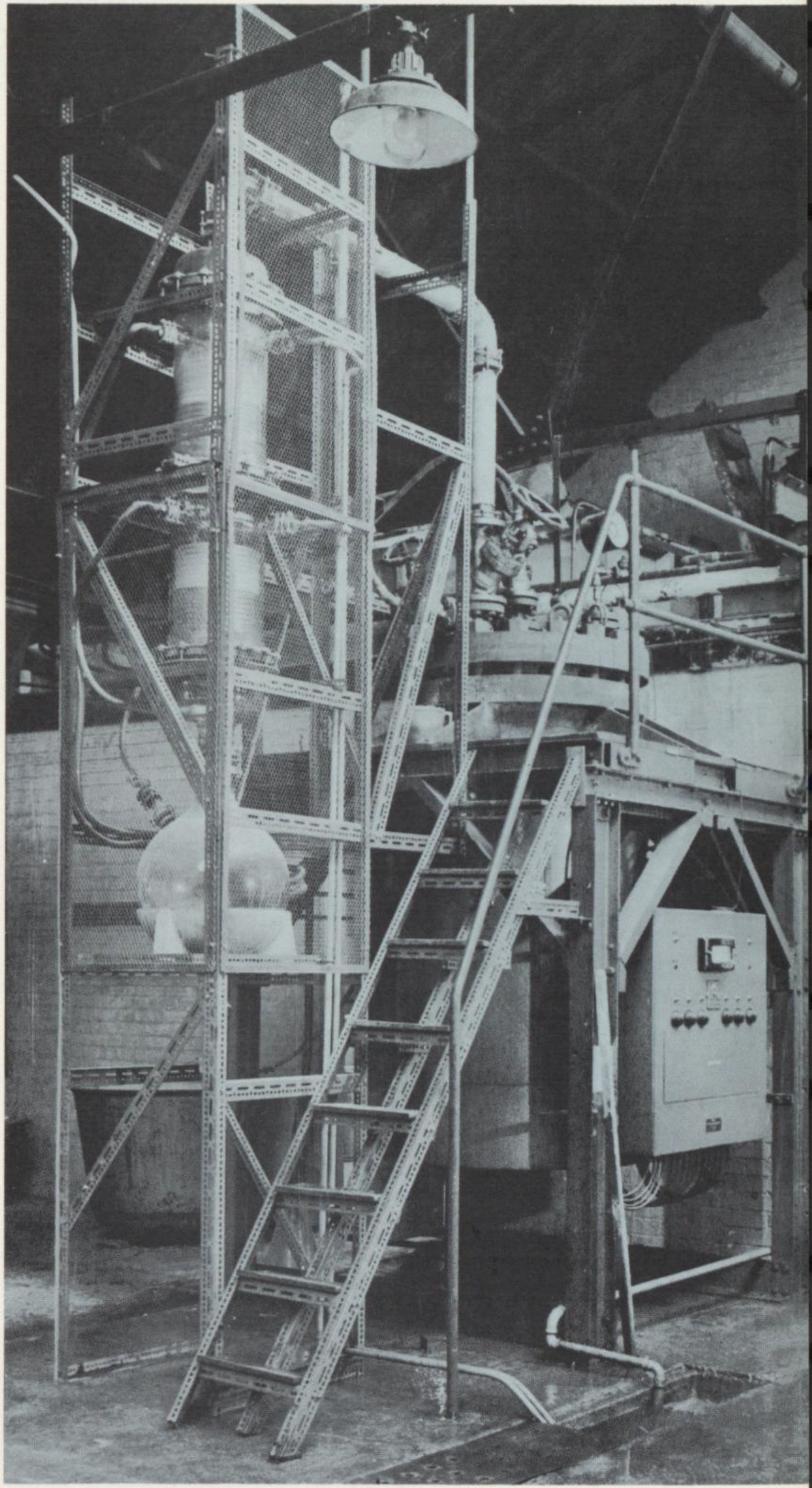
Hans Gangloff, M. D., Riker staff, checks the effect of drugs on the central nervous system by means of an electroencephalograph machine.

Expansion of Riker in other countries continues. Riker Pharmaceutical Co., Ltd. of Canada has moved to new premises at Cooksville, Ontario. Plans have been completed for removal of Riker Laboratories (Pty) Ltd., Africa, from Port Elizabeth to Capetown. To implement the founding in 1958 of Riker Laboratories (Pty) Australia, Mr. John Preiss of Sydney, N. S. W. studied methods and procedures at Riker Headquarters in Los Angeles.

Riker Laboratories, Ltd. in England has outgrown its facilities. Plans have been drawn to provide additional space.

The future growth potential of Riker in the technical pharmaceutical areas has been carefully analyzed. The initial step in these long term plans was the purchase of Carnegies of Welwyn, Hertfordshire, England. Carnegies is a manufacturer of specialty pharmaceutical chemicals. Completion of this acquisition, in January 1959, was made by Mr. John Lumley, Chairman of the Board of all English enterprises and Managing Director of Riker Laboratories, Ltd. The services of Dr. Michael Witte were obtained to organize and head a Carnegies branch in the United States.

For seventy-five years Carnegies has been known especially for pure alkaloids derived from plants—quinine, strychnine and brucine. The factory is well equipped for the manufacture of synthetics. Principal products include piperazine, catechol amines, and bismuth salts. The American branch will specialize in synthetics. In the beginning it will concentrate on salicylate derivatives.



High pressure autoclave for Isoniazide synthesis, Carnegies of Welwyn Garden City, Hertfordshire, England.

Tupperware is famous for efficiency, economy and unchallenged beauty. The patented "Tupper Seal," a virtual "vacuum pack," is the leader in the industry. The complete line includes over 100 items for refrigerator, freezer, pantry, table, picnic basket and home uses. It carries the Parents Magazine Seal of Commendation and the Good Housekeeping Guaranty Seal.

The selling principles and techniques used by Tupperware Home Parties, Inc. have built one of our country's greatest sales programs. Since 1946 Tupperware has been sold on the home party plan. Tupperware will continue to be sold exclusively by independent distributors. It will not be sold in Rexall stores or other outlets.

Home parties are successful, because they are both fun and profitable. The hostess benefits by receiving a lovely Hostess Gift. The guests benefit by learning more about the money—space—time saving features of Tupperware. The dealer benefits, both through earnings and the satisfaction of rendering a real service to the hostess and guests.

Independent Tupperware distributors are located throughout the country. Most are conveniently listed under Tupperware in the Wholesale Plastic Products Section of the Classified Telephone Directory.

Tupper manufacturing and research experience combined with Tupperware sales promotion will contribute materially to Rexall's future.

Mr. John Ansley, former Executive Vice President of the Tupper Corporation, is President of the Tupper Company. Mr. Hamer Wilson, formerly National Sales Manager, is President of Tupperware Home Parties, Inc.

TUPP

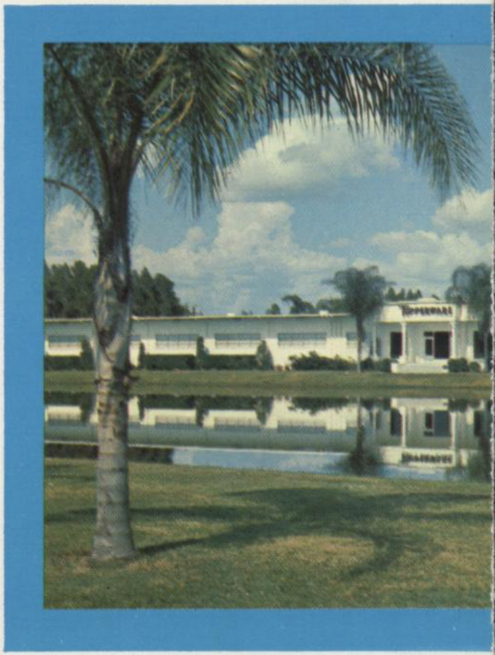
Woons

The major plants of the
Tupper Corporation) are

Upper Right: Branch Ri
and General Headquarter

Center Right: Farnumsvil

Lower Right: Blackstone,
which it takes its name.



TUPPERWAR

Or

The Tupperware Headq
tropical setting of lagoon
thousands of Tupperware

A typical Tupperware ho
There are Tupperware de
Canada, Hawaii and Puer

ER COMPANY

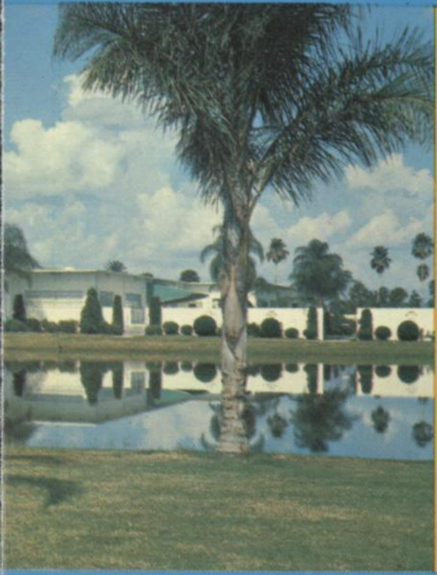
cket, Rhode Island

Tupper Company (formerly known as the pictured on the right.

ver Research and Development Laboratory s, Woonsocket, Rhode Island.

e, Massachusetts, birthplace of Tupperware.

Massachusetts, overlooking the river from

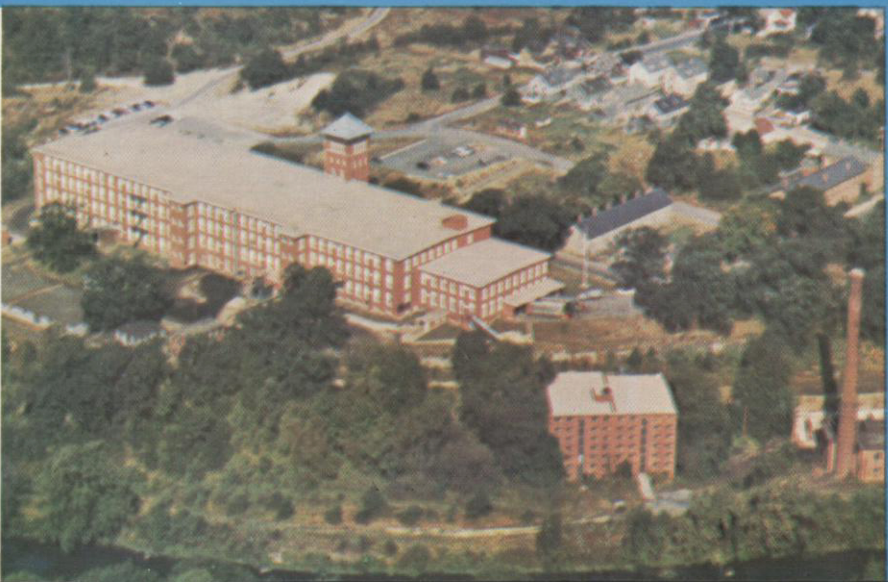


HOME PARTIES, INC.

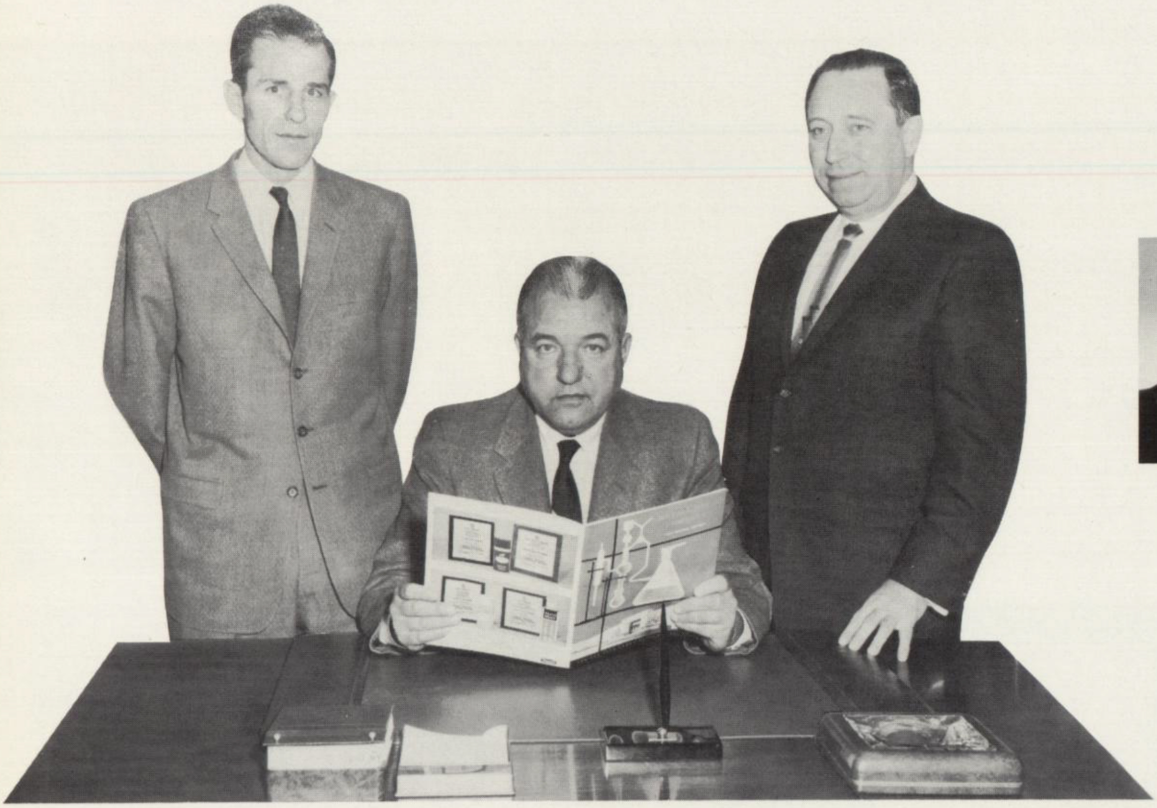
rlando, Florida

uarters, pictured above, is located in a s and gardens. It is visited each year by dealers, their hostesses and friends.

me party is illustrated to the left above. alers throughout the United States and in to Rico.



CHEMO-PLASTICS DIVISION



TUPPER COMPANIES

(left to right) John Ansley, President of Tupper Company; Chester W. Anderson, Rexall Vice President and Hamer Wilson, President of Tupperware Home Parties, Inc.
(insert) Gary McDonald, Executive Vice President, Tupperware Home Parties, Inc.

SEAMCO CHEMICAL

Holyoke, Massachusetts

Maximum production with existing facilities was reached by Seamco in 1958. Plans to double the production capacity for the manufacture of polystyrene have been approved. This expansion will be completed late in 1959.

This growth in operations has resulted in an extension of our arrangements with a subsidiary of El Paso Natural Gas Company. Increased from five to ten years, these arrangements include styrene supply and joint research activities.

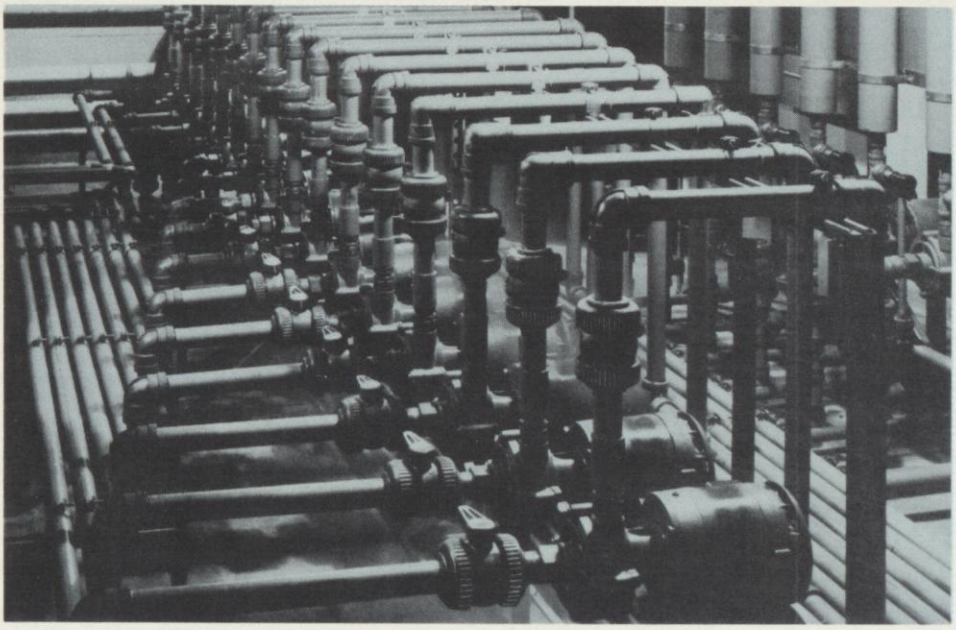
Seamco will continue in the research and development of improved specialty products. Particular attention will be centered on medium impact and high impact polystyrene materials. The expanded facilities will provide equipment for the production of these new products.

KRALOY PLASTIC PIPE CO., INC.—CHEMTROL—E & A SALES

Los Angeles, California

The production and marketing of plastic pipe, valves and fittings by Kraloy, Chemtrol and E & A Sales, respectively, provide a complete "Installation Package" for industry and other uses.

Dramatic proof of the effectiveness of this "package" concept is the illustration below. It depicts a section of the Motion Picture Film Processing Laboratory, Patrick Air Force Base, Florida.



This laboratory processes the critical and irreplaceable motion picture records of the missile testing performed at Cape Canaveral. Two and one-half miles of Kraloy polyvinyl chloride (P. V. C.) pipe, 500 Chemtrol plastic ball valves and over 3,000 E & A plastic fittings were used in this system.

The selection of plastic pipe, valves and fittings for this laboratory was made because of recent improvements in production methods. Close tolerances are now being achieved. Ability to withstand corrosion was required and, in this instance, was intensified by the use in the process of a wide range of chemicals and solutions.

The versatility of plastic pipe, valves and fittings is attracting attention in many fields. It resists corrosion. It is light weight. It provides unequaled ease of handling in installation. To meet the growing demand, Kraloy, Chemtrol and E & A Sales will be increasing their facilities and personnel during 1959.

Industry projections, for sales in plastic pipe during the next five years, indicate extraordinary growth. These projections are based on the use of plastic pipe for electrical conduit, private and public utility pipe lines, oil field systems, agricultural and turf irrigation and industrial applications. Our awareness of this potential is demonstrated by several prototypes of new pipe, valve and fitting products already undergoing exhaustive tests.

HOSPITAL AND RUBBER GOODS DIVISION

The Seamless Rubber Company, New Haven, Connecticut

THE SEAMLESS RUBBER COMPANY

New Haven, Connecticut

Seamless is the major unit in Rexall's Hospital and Rubber Goods division. In 1958 it put into operation a new and intensified sales program. In 1959 this sales effort will employ a force 50% greater than before.

New products developed by Seamless have been numerous. "Safe-T-Clad" pipe wrap was first marketed in 1958. This tape wrapping was the result of three years of research and development. It has already proved an advance in the protection of underground steel pipe from corrosion. It is more economical than present tar pipe coatings and tests forecast a much longer protective life.

The most highly publicized new Seamless product in the sporting goods field has been the "Super-K" line of basketballs. Made from compounded elastomers these balls reflect a new concept in color. The gripping surface affords greater ease of handling. They wear better under the rough treatment of outdoor play. Tests indicate that they are unequaled for durability.

Export sales are an important factor in the operations of Seamless. The increasing trend of these sales is expected to continue. The development of the "European Common Market" may offer further opportunities to expand foreign sales.

ABSORBENT COTTON COMPANY

Valley Park, Missouri

Processing cotton for surgical bandages and a wide variety of uses, Absorbent Cotton showed exceptionally good operating results in 1958. Further improvement is expected in 1959.

A four year program of improvement of equipment, plant and processes will be completed in 1959. As a result, Absorbent Cotton will have one of the most modern cotton and gauze processing plants in the country.

UNITED COTTON PRODUCTS COMPANY

Fall River, Massachusetts

United Cotton designs and produces highly specialized industrial abrasive products to meet the specific requirements of the metal fabricating and heavy manufacturing industries. Its future is tied directly to activities in these industries.

Forecasts for 1959 indicate a general trend upward. United Cotton will continue to concentrate on patent development. Through licensing agreements, patented products will be marketed by major manufacturers.

RETAIL DIVISION

LIGGETT DRUG COMPANY, INC., **East Coast**
Stamford, Connecticut

THE OWL DRUG CO., **West Coast**
Los Angeles, California

At the close of 1958 there were 180 drug stores operating within our Retail Division. Acquired during the year were six Madison and ten Touchton stores located in Western and Central Florida.

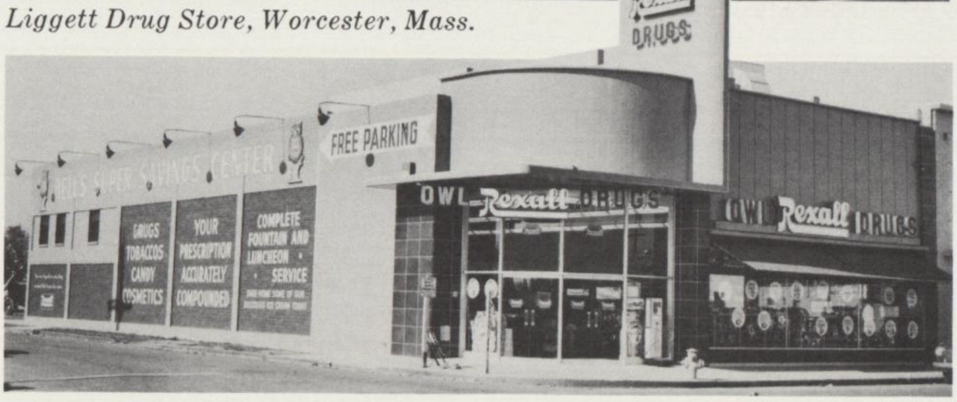
In October, 1958, the Liggett headquarters was moved from New York City to Stamford, Connecticut. The headquarters building combines space for general offices and a modern, efficiently equipped warehouse. Featured in the office installation is an IBM RAMAC 305. This data processing unit establishes improved control of billings, inventory and accounting records. Liggett is the first to use this for drug chain operations.

The Owl program to develop larger Shopping Center stores, replacing marginal company units, was accelerated in 1958. Owl also opened two new Gales Coffee Shops in San Francisco, and at Rexall Square in Los Angeles.

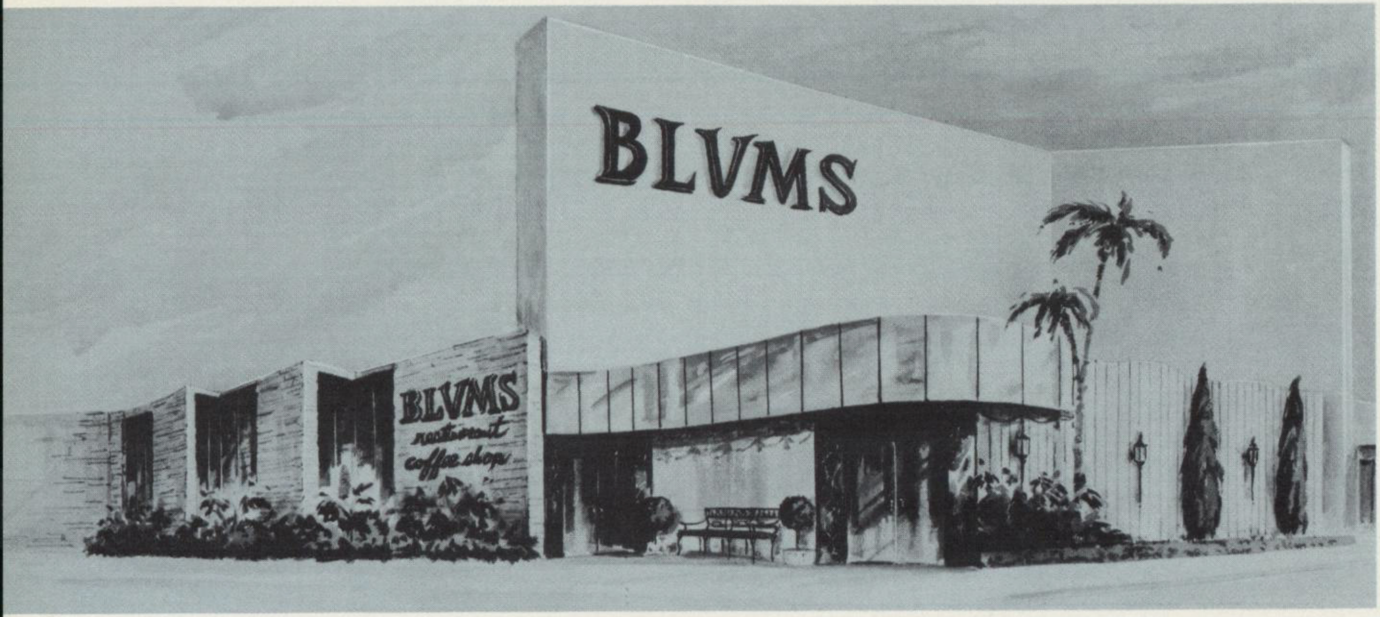
Independently owned drug stores, participating in the retail agency plan, increased to 329, at the end of 1958. Further expansion is planned in 1959.

LIGGETT
Rexall
DRUGS
NOW!
Rexall
ORIGINAL
1¢ Sale
PRESCRIPTIONS

Liggett Drug Store, Worcester, Mass.


OWL
Rexall
DRUGS
FREE PARKING
DRUGS
TOBACCOS
CANDY
COSMETICS
YOUR
PRESCRIPTION
ACCURATELY
COMPOUNDED
COMPLETE
FOUNTAIN AND
LUNCHEON
SERVICE
OWL Rexall DRUGS
OWL Rexall DRUGS

Owl Drug Store, Bell, California



Blum's newest and largest restaurant opening March, 1959, Wilshire Boulevard and Beverly Drive, Beverly Hills, California. Featured are a complete confectionery, fountain-coffee shop, dining room, cocktail lounge and banquet facilities.

BLUM'S

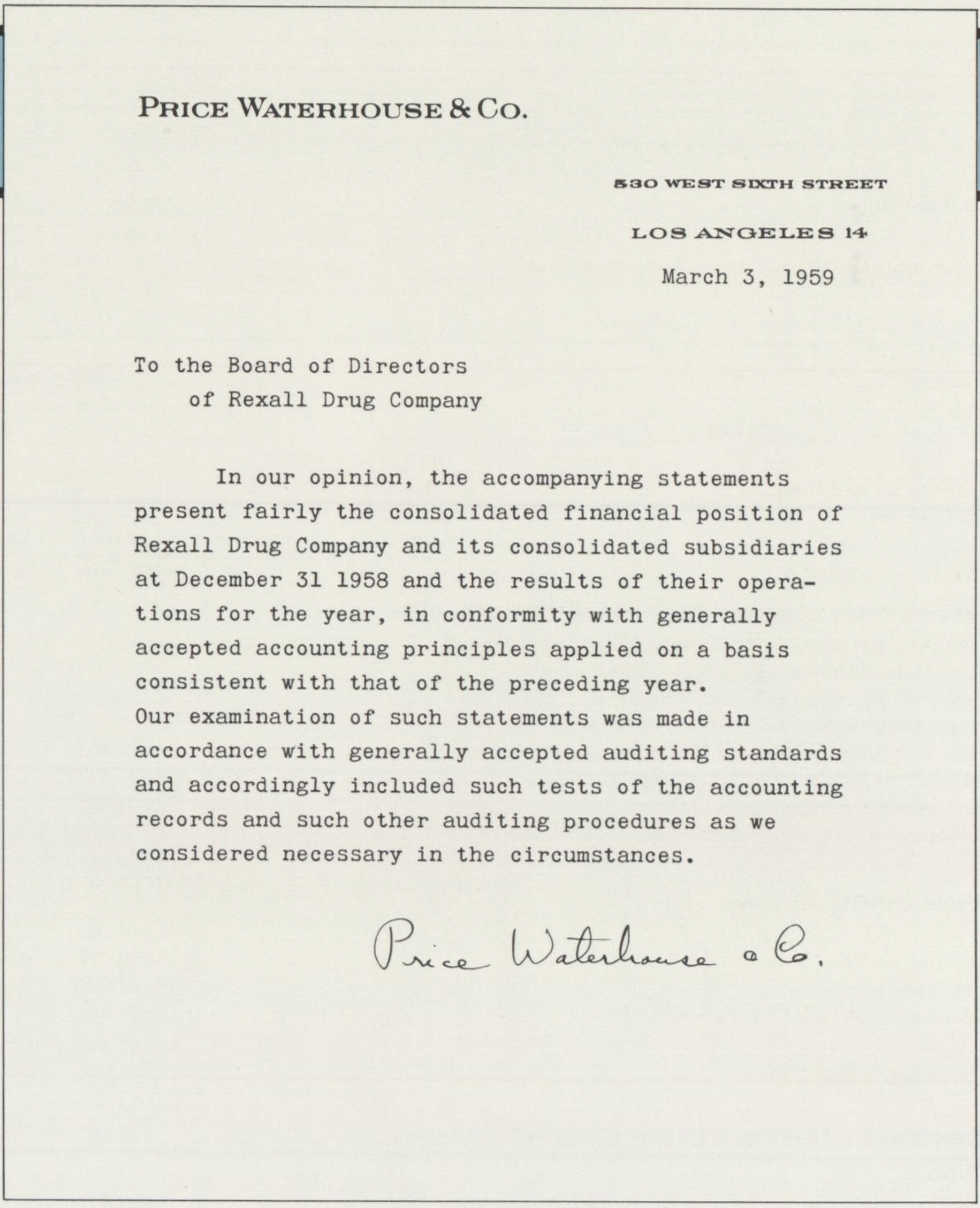
San Francisco, California

Blum's is nationally famous for fine candies and specialty restaurants. Operating principally in the San Francisco and Los Angeles areas, it continued to expand in 1958.

A new store was opened in the Sheraton Palace Hotel on Market Street in San Francisco. An attractive shop featuring Blum's candies was established in the San Francisco Airport. In New York, Blum's opened at 700 Fifth Avenue.

In 1959, Blum's largest restaurant will be located on Wilshire Boulevard in Beverly Hills. Another will operate in the exclusive I. Magnin & Co. store, in Los Angeles, California.

INDEPENDENT AUDITORS REPORT



PRICE WATERHOUSE & CO.

530 WEST SIXTH STREET
LOS ANGELES 14

March 3, 1959

To the Board of Directors
of Rexall Drug Company

In our opinion, the accompanying statements present fairly the consolidated financial position of Rexall Drug Company and its consolidated subsidiaries at December 31 1958 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

REXALL DRUG COMPANY
and its Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

ASSETS

			1958	1957
Current Assets				
Cash			$ 19,500,365	$13,178,427
Short term securities at cost and redemption amount			502,500	1,252,500
			20,002,865	14,430,927
Accounts and notes receivable, less reserves of $704,193 in 1958 and $548,670 in 1957				
Customers			17,901,833	15,887,560
Others			2,152,709	1,838,202
Inventories, at cost or market whichever lower				
	1958	1957		
Raw materials and supplies	$ 5,949,400	$ 5,591,093		
Work in process	2,681,188	2,338,750		
Finished merchandise	35,239,493	32,189,548	43,870,081	40,119,391
Total Current Assets			83,927,488	72,276,080
Investments, Advances and Noncurrent Receivables				
Investments in and advances to subsidiaries not consolidated				
United States subsidiaries (Rexall equity in net assets $1,207,000 in 1958 and $692,000 in 1957)			1,159,530	721,802
Foreign subsidiaries wholly owned (net assets were $2,091,000 in 1958 and $1,913,000 in 1957)			595,340	493,215
Due from sale of retail stores and other properties			840,347	537,671
Due from officers and employees under stock purchase plan			634,385	739,323
Other receivables, deposits and investments, less reserve			1,279,712	1,634,519
			4,509,314	4,126,530
Property Accounts, at Cost				
Land			1,765,804	1,793,367
Buildings and building fixtures			13,120,274	10,787,115
Machinery and equipment			19,811,918	15,564,639
Store fixtures, leaseholds and improvements			13,024,345	12,517,338
			47,722,341	40,662,459
Less accumulated depreciation			21,707,280	20,500,229
			26,015,061	20,162,230
Insurance, Taxes, Rent and Other Deferred Charges			794,497	518,390
Intangibles				
Excess of investments in subsidiaries over net assets acquired			3,919,657	1
Patents, less amortization			568,780	
			4,488,437	1
			$119,734,797	$97,083,231

See accompanying notes to financial statements.

DECEMBER 31, 1958 and DECEMBER 31, 1957

LIABILITIES

Current Liabilities	1958	1957
Accounts payable	$ 13,464,685	$ 9,594,923
Accrued wages, salaries and taxes thereon	3,930,665	3,331,131
Other accrued expenses	5,219,254	4,232,953
Current instalments of long term indebtedness	1,144,201	811,762
Estimated Federal and Canadian taxes on income for current and prior years	5,413,136	4,207,704
Total Current Liabilities	29,171,941	22,178,473

Long Term Indebtedness, less current instalments shown above	1958	1957
Unsecured notes, 3⅜% to 5¾%, due in instalments 1959 to 1980	24,103,000	23,376,000
Unsecured notes, 4½% due in instalments 1960 to 1963	5,000,000	
Real estate and equipment obligations	2,057,939	978,062
	31,160,939	24,354,062

Stockholders' Equity	1958	1957
Capital stock of Rexall Drug Company		
Authorized, 5,000,000 shares, par value $2.50 each		
Issued, 3,501,120 shares	8,752,800	8,752,800
Other paid in capital per accompanying statement	12,249,504	10,601,647
Earnings retained and used in the business per accompanying statement	38,847,444	34,182,699
(Of the 1958 amount $2,384,249 is reserved for a 3% stock dividend (103,663 shares) payable March 6, 1959)		
	59,849,748	53,537,146
Less cost of treasury stock, 46,671 shares in 1958 and 319,447 shares in 1957	447,831	2,986,450
Total Stockholders' Equity	59,401,917	50,550,696
	$119,734,797	$97,083,231

CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS RETAINED AND USED IN THE BUSINESS

	1958	1957
Sales, less returns, allowances and discounts	$182,371,453	$167,567,195
Deduct:		
Cost of goods sold	108,530,684	100,162,891
Selling, distribution, promotional and administrative expenses	58,439,954	55,205,881
Depreciation	2,436,890	2,048,967
Interest on indebtedness	1,358,765	935,621
	170,766,293	158,353,360
Earnings before taxes on income	11,605,160	9,213,835
Provision for Federal and Canadian taxes on income	5,300,000	4,600,000
Net earnings for the year	6,305,160	4,613,835
Earnings retained and used in the business at beginning of year	34,182,699	31,202,199
	40,487,859	35,816,034
Dividends paid — 50¢ per share	1,640,415	1,633,335
Earnings retained and used in the business at close of year	$ 38,847,444	$ 34,182,699

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF OTHER PAID IN CAPITAL

	1958	1957
Other paid in capital at beginning of year	$10,601,647	$10,598,153
Excess of fair value over cost of 233,000 shares of treasury stock exchanged for the capital stocks of subsidiaries acquired	1,609,451	
Gain on sale of treasury stock	36,905	
Other credits	1,501	3,494
Other paid in capital at close of year	$12,249,504	$10,601,647

NOTES TO FINANCIAL STATEMENTS

BASIS OF CONSOLIDATION — All wholly owned United States and Canadian subsidiaries and Blum's, a 93% owned subsidiary, are consolidated. The minority interests in income and in ownership of Blum's are relatively insignificant and are not shown separately.

Tupper Corporation and its affiliated companies and Madison and Touchton Drug companies were acquired in 1958. The consolidated accounts for the year include the sales and net earnings of these companies from September 1, 1958. The excess of the purchase price (partly treasury stock) of these companies over the value assigned to the tangible assets and patents acquired is shown as a separate item in the balance sheet. It is the Company's present intention not to amortize this amount.

REFUND CLAIM — No amounts have been included in the financial statements in respect of claims seeking recovery of Federal excess profits taxes. The claims filed in 1953 are based on a contention that the excess profits credits should be increased for the years 1940 to 1945, inclusive.

STOCK OPTIONS — Two officers were granted options in 1956 to purchase 30,000 shares of treasury stock over a period of ten years for approximately $295,000, the market value at date of grant. None of these options was exercised in 1958.

In 1957 the Company adopted a stock option plan under which options may be granted to officers and employees to purchase a maximum of 150,000 shares of common stock at the market price on the date of grant. Options were granted in 1957 and 1958 for 33,000 and 82,000 shares respectively. Two 1957 options for 1600 shares were exercised in 1958. At December 31, 1958 under the plan there were options outstanding of 113,400 shares for approximately $1,405,000 and there were 35,000 shares for which options had not been granted. In January 1959 an option for 7,500 shares was granted. The number of shares in all outstanding options will be increased 3% with no change in the aggregate dollar amounts upon payment of the 3% stock dividend in March, 1959.

EARNINGS AVAILABLE FOR DIVIDENDS — Under agreements covering long term indebtedness, $9,000,000 of the $38,847,444 of retained earnings at December 31, 1958 is not restricted as to payment of cash dividends. The agreements impose no restriction on the payment of stock dividends.

LEASE LIABILITIES — At December 31, 1958 the Company and its consolidated subsidiaries were committed under some 218 leases of real property expiring more than three years after that date with minimum annual rentals of approximately $3,750,000. Two per cent of this amount relates to leases expiring more than 26 years after December 31, 1958.

In addition, subsidiary companies have leased (most with options to purchase) store fixtures for periods of six and a half years or more, in most cases at aggregate basic rentals which over the lease periods approximate the cost of the fixtures plus carrying charges. The present total annual rental payable is approximately $518,000.

REXALL DRUG COMPANY
and its Consolidated Subsidiaries

CONSOLIDATED STATISTICAL SUMMARY

in thousands of dollars

Financial Operations

	1958	1957	1956	1955	1954	1953
Net sales	$ 182,371	$ 167,567	$ 155,633	$ 153,465	$ 176,138	$ 189,244
Earnings before Federal and Canadian income taxes and special items	11,605	9,214	9,074	8,916	6,567	6,456
Federal and Canadian income taxes	5,300	4,600	4,600	4,850	3,300	3,300
Net earnings	6,305	4,614	4,474	4,066	3,267	3,156
Earnings per share of common stock	$ 1.91*	$ 1.45	$ 1.35	$ 1.19	$ .93	$ .90

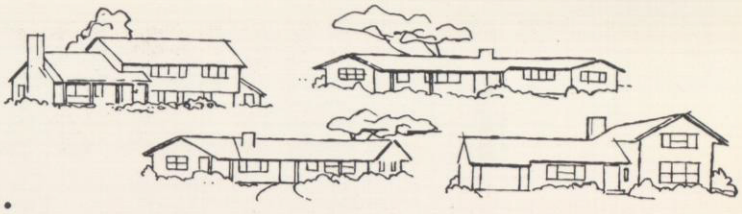
* Based upon the average of shares outstanding during the year.

Financial Position

	1958	1957	1956	1955	1954	1953
Cash and short term securities	$ 20,003	$ 14,431	$ 14,533	$ 17,830	$ 12,463	$ 12,593
Accounts receivable	20,054	17,726	16,722	15,005	14,346	15,130
Inventories	43,870	40,119	35,436	34,563	38,246	37,225
Current assets	83,927	72,276	66,691	67,398	65,055	64,948
Less—Current liabilities	29,172	22,178	20,840	19,718	18,803	20,120
Working capital	54,755	50,098	45,851	47,680	46,252	44,828
Property, machinery and equipment (net)	26,015	20,162	18,207	17,639	17,869	20,440
Investments, advances, prepaid expenses, etc.	5,304	4,645	6,070	4,653	3,943	3,974
Intangible assets	4,489					
Less—Real estate and equipment obligations	2,058	978	811	883	927	1,356
Other long term indebtedness	29,103	23,376	20,622	22,020	21,775	23,238
Stockholders' equity	$ 59,402	$ 50,551	$ 48,695	$ 47,069	$ 45,362	$ 44,648
Stockholders' equity—per share	$ 17.20	$ 15.89	$ 14.71	$ 13.72	$ 12.98	$ 12.75
Number of shares of stock outstanding	3,454,449	3,181,673	3,310,756	3,429,732	3,501,120	3,501,120
Number of stockholders	16,911	15,852	15,865	15,807	14,688	15,435

The Rexall BIG 4

In more homes than ever before…



REXALL
SUPER PLENAMINS
MULTI-VITAMINS WITH MINERALS

Rexall Super Plenamins

America's largest selling multi-vitamin formula. Tablets for adults and children. New liquid form for children.

THRU
to relieve muscular aches and pains
Rexall

Rexall Thru

New exclusive penetrating analgesic that actually goes through the skin to relieve pain where it hurts. Liquid and gel forms.

Rexall
Super Anapac
WITH NEW NASAL DECONGESTANT
FASTER COLD RELIEF

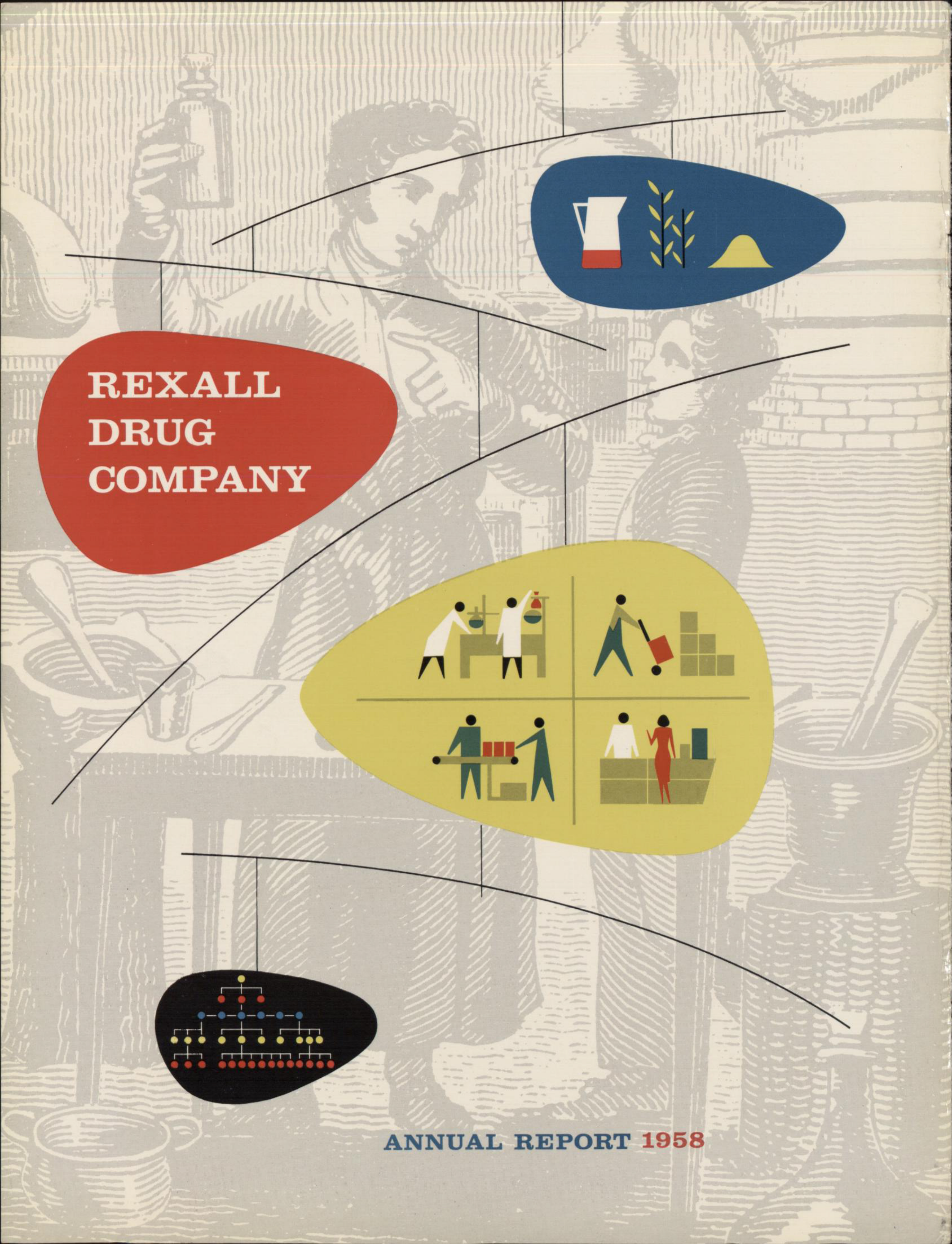
Rexall Super Anapac

With new nasal decongestant. Relieves miseries of colds, hay fever, sinus congestion, allergies. Tablets and cough syrup.

REXALL
BISMA-REX POWDER
RELIEVES UPSET STOMACH
due to excess acidity

Rexall Bisma-Rex

Only effervescent antacid with exclusive bismuth aluminate and pain killer added. Seltzer, powder, liquid and tablets.



REXALL DRUG COMPANY

ANNUAL REPORT 1958